

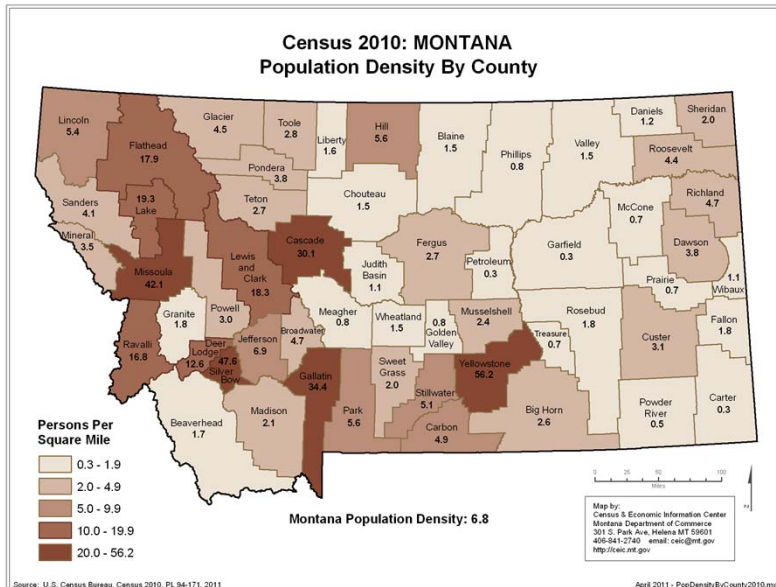
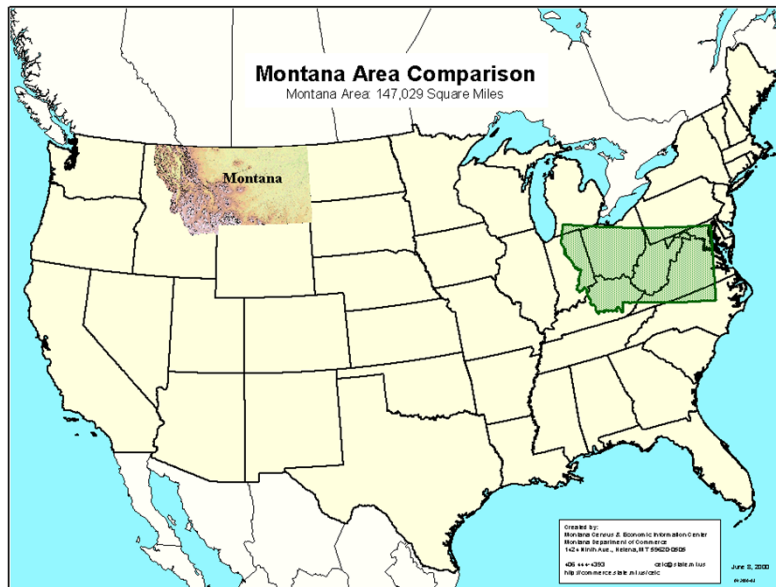


Montana Independent Telecommunications Systems, LLC

Bonnie Lorang
MITS Gen Manager
Helena MT 50601
blorang@mitstel.com

Randy Wilson, Gen Manager
InterBel Telephone Cooperative
Eureka MT
rwilson@interbel.com

July 14, 2011



- 1,200 Town
- 5,000 Remote

- Rural, remote, sparsely populated
- Area is rugged, mountainous terrain bordering Canada



Rural Health Care Pilot Program

WC 02-60 - DA 11-95

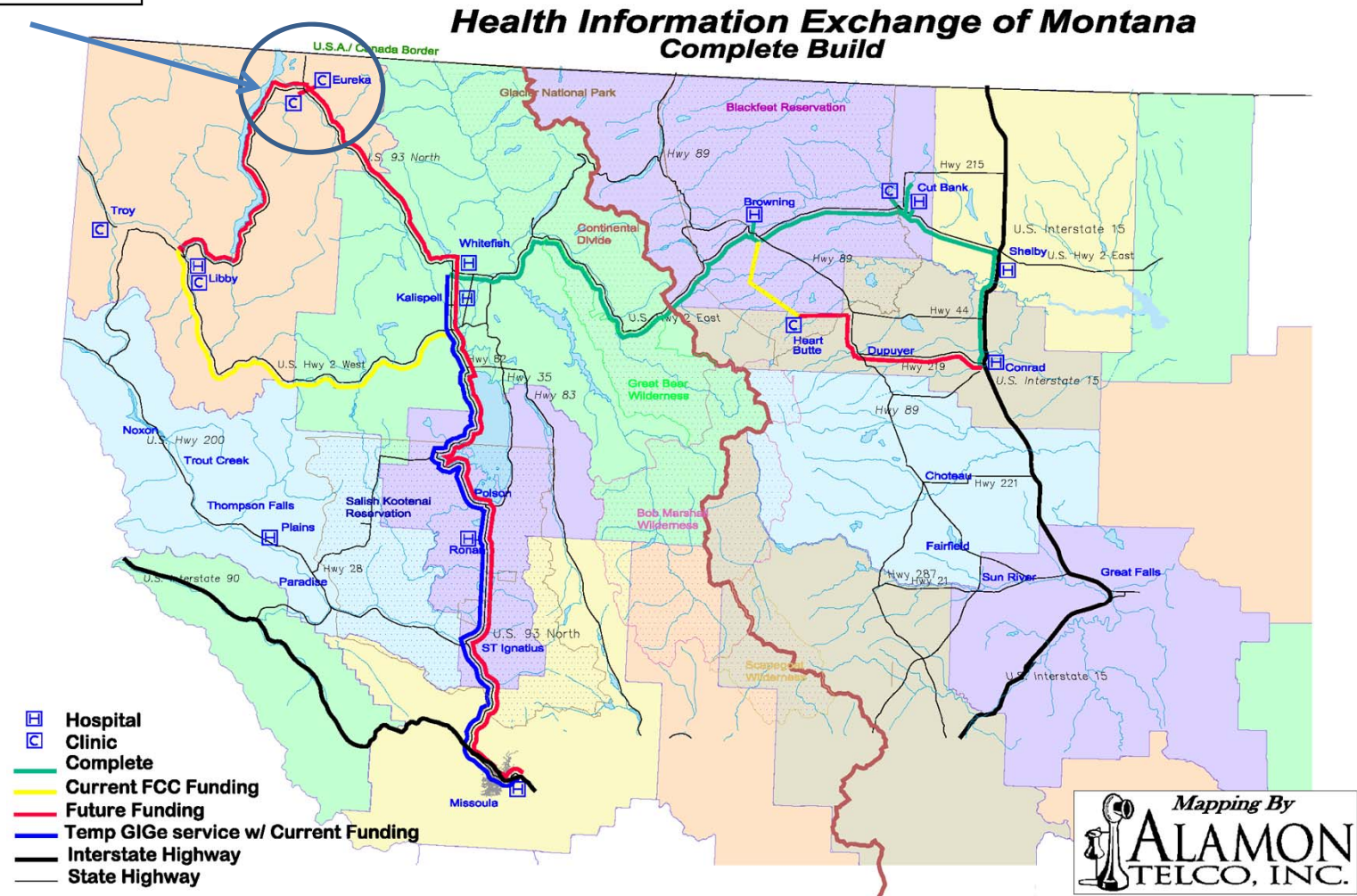
- Health Information Exchange of Montana, Inc. (HIEM) is a non-profit organization comprised solely of 501(c)(3) healthcare organizations. (p. 3, HIEM initial application, May 2007)
- In April 2009, (HIEM) was awarded \$13.6 million in RHCPP funding to build telecommunications networks in areas where fiber networks already exist.
- In December, 2010, HIEM requested an additional \$13.3 million in RHCPP funds to duplicate even more networks.
- We urge the FCC to deny the request.

May 7, 2007 HIEM's "Bold Plan"

- "HIEM proposes a **bold plan** to build fiber to each member facility." (p. 2,11,12 , HIEM initial application, May 2007)
- Yr. 1 – 265 miles of fiber optic cable will be laid
- Yr. 2 – 90 miles of fiber optic cable will be laid
- Yr. 3 – 100 miles of fiber optic cable will be laid
- Yr. 4 – 115 miles of fiber optic cable will be laid
- Yr. 5 – 93 miles of fiber optic cable will be laid



HIEM's Proposal



HIEM's "Bold Plan" lacked details

- 12/07/09: Request for 1 yr. extension of June 2010 funding deadline
- 12/22/10: Additional request for extension to Mar 31, 2012 to select a vendor and request funding commitment letters
- 12/22/10: Request for waivers to invoice beyond 5 yrs. from date of initial Funding Commitment Letters
- 12/29/10: Request for additional \$13.3 million reflecting \$8.5m initially denied & \$4.83m that it "needs" to complete network

HIEM's Bold Plan

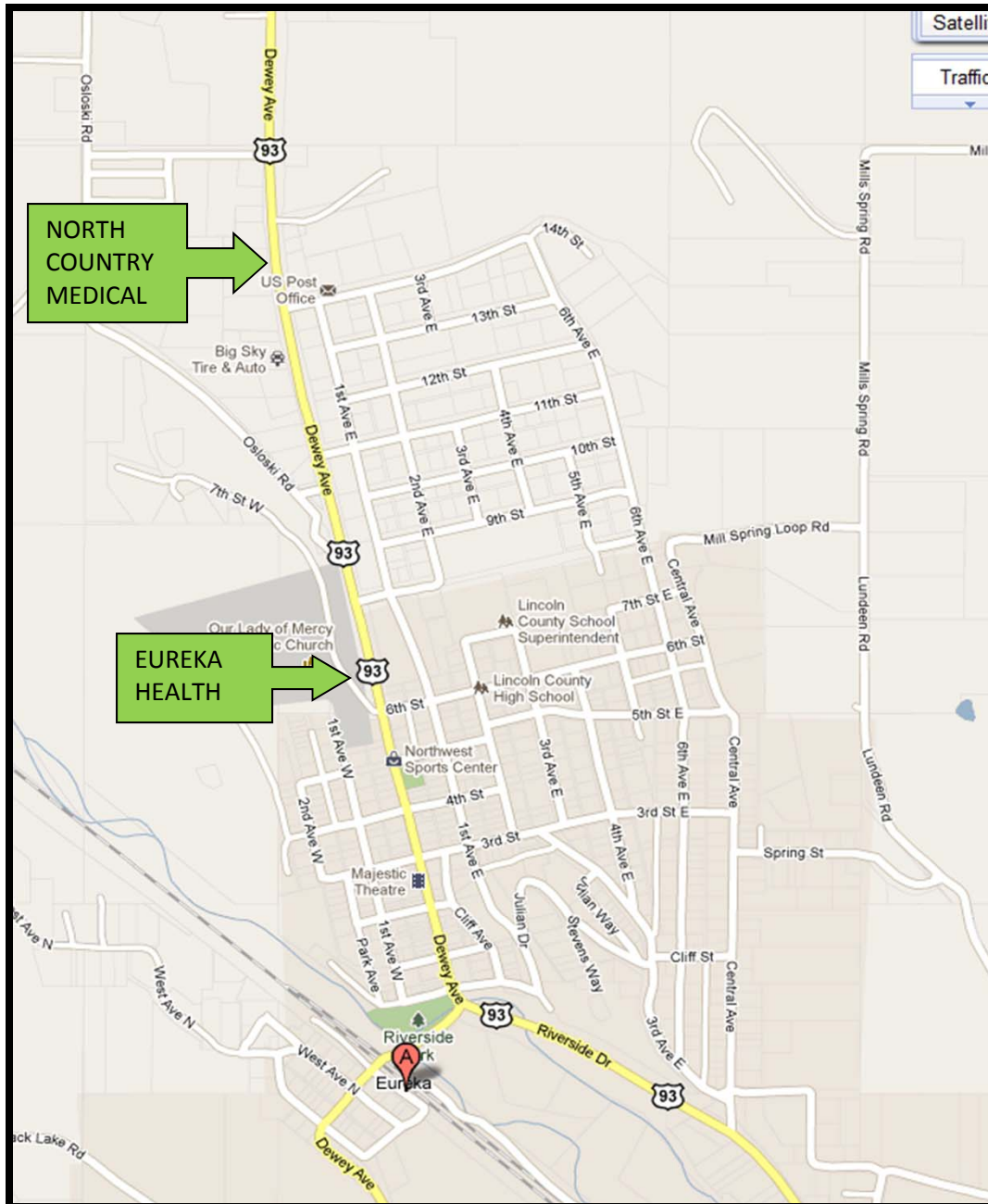
- “We desire to use all available funding to build an effective, high-quality healthcare network in rural/frontier Montana. ..additional funding and time will ensure HIEM can efficiently develop our full network design and continue to further the goals of the RHCPP.” (Kip Smith letter to WCB, 12/29/10)

**Build a high-quality
network?**

Both hospitals in
Eureka already
have FTTP.



High-quality
health care
networks
already exist!



- Eureka town
- 2 new medical clinics
- Approx 10 blocks apart
- Both have FTTP

InterBel has repeatedly communicated the availability of affordable broadband to HIEM

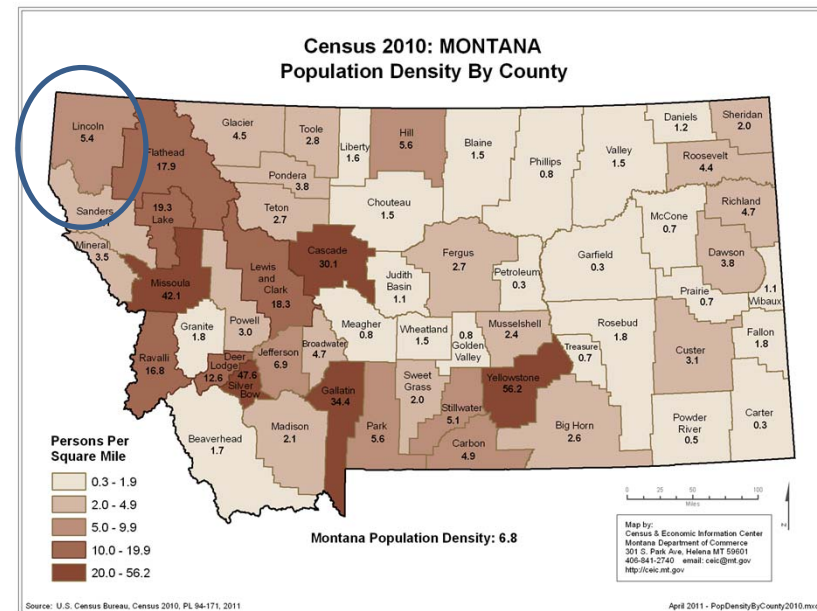
“I believe InterBel can serve both clinics in Eureka with whatever service you desire. InterBel currently has fiber to the premise and is in a position to offer virtually any capacity or broadband speed now or in the foreseeable future...InterBel can provide 20 Mbps immediately...and are ready to scale to whatever bandwidth demand you have.”

“I believe HIEM could achieve all of their needs with only a 17 mile build-out (of which there is empty duct in the ground currently). The cost is only a fraction of your proposed 90 miles of construction between Kalispell and Libby and the additional 70 miles between Kalispell and Eureka.”

Randy Wilson, InterBel, Letter to Kip Smith, HIEM Exec Director Aug 20, 2010

A Reality Check?

- InterBel serves rural/frontier MT
- Lincoln Co. has 5.4 people/sq. mi.
- It is not good public policy to direct limited USF to projects that duplicate existing networks
- Overbuilds and cream skimming anchor tenants puts RLECs and remaining rural subscribers at risk



What do the Experts Say?

The American Telemedicine Association

- “Strongly supports” making broadband available to all citizens regardless of location
- Agrees that Federal programs are critical for broadband opportunities in communities having limited or no broadband access

HOWEVER

- “ATA’s support for these objectives does not translate into support for RHCP funds for a rural broadband construction program.”

What do the Experts Say?

The American Telemedicine Association

- The use of RHCP funds to support broadband infrastructure is ill-advised
- Health providers should not also be in the business of telecommunications construction
- This is not their expertise
- Many ATA members are concerned about healthcare providers being placed in competition with commercial providers of broadband services

What do the Experts Say?

The American Telemedicine Association

Telehealth is the delivery of health-related services via telecommunications technologies

- “Experience has shown that a community’s needs are best met through a common infrastructure.”
- “Allowing reselling of excess capacity to non-healthcare customers is tantamount to a federal hospital construction program that allows grantees to purposely overbuild a hospital, allowing the excess capacity to be used as a hotel.”
- “This may lead to a small number of applicants using up all the allocated funds to the detriment of other legitimate uses focused entirely on healthcare.”

(9/8/2010 WC 02-60 FNPRM)

GAO Report to Congress - Nov 11, 2010

FCC WCB Letter to USAC – Feb 15, 2011

- Formal needs assessment is necessary to identify telecom services that are lacking relative to some generally accepted standard (GAO p21)
- Need not rush to spend \$400 million -- Since 1997, the FCC expected disbursements to be as low as 10% of the \$400 million cap (GAO p22)
- Industry concerns with funding redundant networks such as HIEM's (GAO p31)
- Are Pilot Program participants providing sufficiently detailed and complete disclosure in reports? (FCC Let p2)

Does the Commission even have the authority to fund infrastructure deployment?

- 47 U.S.C. Sec. 254(h)(1). A telecommunications carrier shall, upon receiving a bona fide request, provide telecommunications services which are necessary for the provision of health care services...
- Sec. 254(h)(3). Telecommunications services and network capacity provided to a public institutional telecommunications user under this section may not be sold, resold, or otherwise transferred by such user in consideration for money or any other thing of value.

Consequences

- Inefficient, duplicative networks in sparsely populated high cost areas
- Multiple USF-supported broadband networks where there is little or no business case for one provider absent subsidies
- RLEC has incurred significant private and public (RUS) debt obligations that are at risk

Consequences

- Destructive competition negatively impacts local economies, local jobs, and sustainability of local communities
- In light of the intense pressure to contain USF funding and the ongoing FCC proceedings addressing USF Programs, it is inconceivable that RHCP money would be used to duplicate existing broadband infrastructure

Rural Health Care Pilot Program

WC 02-60 - DA 11-95

- In April, 2009, (HIEM) was awarded \$13.6 million in RHCPP funding. In December, 2010, HIEM requested an additional \$13.3 million in RHCPP funds
- Given the USF uncertainties and the current availability of fiber networks in the areas for which HIEM seeks to overbuild infrastructure, and the lack of a formal needs assessment to support the need for millions of dollars of RHCPP funds, HIEM's request SHOULD BE DENIED.